HOUSE OF COMMONS

Business, Energy and Industrial Strategy Committee

Oral evidence: Work of the Department, HC 40

Tuesday 15 October 2019

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Watch the meeting

Members present: Rachel Reeves (Chair); Vernon Coaker; Drew Hendry; Stephen Kerr; Peter Kyle; Albert Owen; Mark Pawsey; Anna Turley.

Questions 1 - 128

Witnesses

I: The Rt Hon Andrea Leadsom MP, Secretary of State for Business, Energy and Industrial Strategy; Alex Chisholm, Permanent Secretary, Department for Business, Energy and Industrial Strategy; Sam Beckett, Director General, EU Exit and Analysis, Department for Business, Energy and Industrial Strategy.

Examination of witnesses

Witnesses: The Rt Hon Andrea Leadsom MP, Alex Chisholm and Sam Beckett.

Q1 **Chair:** Welcome, Andrea Leadsom, and congratulations on your appointment to this role. We look forward to seeing much more of you in the weeks and months to come. Welcome back as well, Alex Chisholm, and we also welcome Sam Beckett to the evidence session this afternoon.

Can I start, Secretary of State? You may have seen that we took evidence this morning from the former chief executive and other members of the board at Thomas Cook. When were you first made aware that Thomas Cook was seeking support from the Government?

Andrea Leadsom: Can I just first say, Rachel, that I am delighted to be here and I have always enjoyed a good relationship with the Select Committee that I have been opposite? I certainly look forward to the same again here and I will always be as open and frank as I possibly can.

I would like to update the Committee on my departmental priorities but, first of all, I will answer your question. It was probably a month before Thomas Cook finally went into liquidation that I was first made aware there were significant problems. Of course, as you will appreciate, that was at the same time as I was getting briefings on a huge number of different issues, including some of the problems faced by individual companies, as well as many policy briefings and so on.

Q2 **Chair:** Who informed you?

Andrea Leadsom: I do not think I can answer that question. I will have to write to the Committee on that. As I recall, it would have been through my ministerial box. I would have received a policy update from the Department on companies over which there were concerns.

Q3 **Chair:** In that month leading up to the collapse of Thomas Cook, what discussions did you have with the Secretary of State for Transport, Grant Shapps?

Andrea Leadsom: I see Grant pretty much most days, Monday to Friday, at various sub-Cabinet committee meetings. We had had a number of conversations. The week before Thomas Cook went into liquidation, we had a meeting in the Cabinet Office briefing room to look specifically at what plans needed to be finalised. The DfT had been preparing for a long time. This is a company that it leads for across Whitehall. It had made preparations in case the company's problems became overwhelming to it. We had a meeting there to discuss in detail what would happen if the company failed.

Q4 **Chair:** Peter Fankhauser told us today that Thomas Cook was instructed only to deal with the Department for Transport. Is that your understanding and, if so, why?

Andrea Leadsom: It is not so much that they were told only to deal with them.

Chair: That is what they were told.

Andrea Leadsom: As you would expect, and as I think everyone on the Committee would know, there is a lead Department for each major company. There is, in fact, a relationship management aspect to Government's relationships with major companies. Certainly, while the Secretary of State for Transport was the lead person to talk to Thomas Cook directors, my Department has huge expertise in corporate failures, corporate turnarounds, corporate support and analysis and so on, as you would expect. My officials were working very closely with DfT officials; it was probably significantly preceding my arrival in the Department, so perhaps you would allow Alex to fill you in on the exact run-up.

Alex Chisholm: Thanks very much. Just to confirm, since the time of the Monarch failure a number of years ago, there had been very careful monitoring by the Department for Transport of the health of other operators in the industry. It had elaborately developed and tested plans for what it would do in the situation that another such insolvency occurred, and obviously those had been tested. It has been pleasing to see that, notwithstanding the unfortunate circumstances, people have been repatriated successfully and quite efficiently by the Department for Transport and the Civil Aviation Authority.

As the Secretary of State has said, she was kept abreast of the situation through regular box notes, but right across Whitehall there was a very effective co-ordination mechanism, co-ordinated in the ordinary way through the Cabinet Office, with the Department for Transport as the lead Department, Treasury and BEIS heavily involved, and UKGI as well, who are the Government's specialist advisers about corporate situations of this kind.

Q5 **Chair:** There was planning for the collapse of the company, but was there any work done to try to avoid the collapse of the company?

Alex Chisholm: The company, at various points, did talk to Government representatives about their funding needs. Those changed quite dramatically. You will be aware that there was a major transaction under discussion with Fosun, and the fund-raising position of the company in relation to its banks did change, as is very typically the case, if you remember Carillion, from week to week, and day to day. All of this was well covered and described in the financial press.

In addition, there were talks with the Government about what they could do to help. The Government decided not to intervene with a financial bailout. They felt that this was not a situation that was viable or sustainable.

Q6 **Chair:** Who made that decision, Alex Chisholm?

Alex Chisholm: That would have been by the lead Cabinet Minister responsible, but certainly in consultation with colleagues.

Q7 **Chair:** Why would the Transport Secretary make a decision about whether to help a company rather than the Business Secretary, Andrea Leadsom?

Andrea Leadsom: The Treasury looked very carefully into the case, and it was quite clearly the fact—and I can only speak for the endgame—that the more than £200 million that the company was looking for would only have dealt with it in the short term. They were carrying significant amounts of debt and it was simply the case that it would be throwing good money after bad and it would not be possible to restore the company to health. That is why the Treasury and other colleagues across Government made that decision.

Q8 **Chair:** Were the plans submitted by Thomas Cook to Government on 17 November compliant with state aid rules, Andrea Leadsom?

Andrea Leadsom: Of course, all decisions taken by the Government are compliant with state aid rules.

Q9 **Chair:** No, but were the proposals put to Government by Thomas Cook compliant with state aid rules?

Andrea Leadsom: On that question, I am not sure if I am aware of the answer.

Alex Chisholm: I do not think we had to reach a final decision on that because, on pure commercial logic, we did not see that it was going to be sustainable to keep the company going, as the Secretary of State said, even with an additional £200 million, as they had sought. If there had been a decision in principle to try to do that, obviously it would have needed, at that time, to be compliant with state aid, but it did not arise.

Q10 **Chair:** Did any officials from the Business Department meet with Thomas Cook in the month leading up to the collapse, Andrea Leadsom?

Andrea Leadsom: Yes. In terms of meetings, we would have to write to the Committee with a specific report on how many meetings took place, but there was significant engagement between BEIS officials, Treasury officials and DfT officials in working in the run-up to the Thomas Cook collapse, both with the company and, of course, looking at what could be done and what needed to be done in the event of that collapse.

If I may, Chair, I would just like to say that, clearly, in the event of that collapse, we were at all times seeking to help the company, where possible, but also to protect the taxpayer and, very importantly, to protect the staff and the holidaymakers as a result of that collapse. It was a truly devastating experience for all of those people who lost their jobs, very sadly, and of course a very worrying time for passengers who were overseas or, indeed, had holidays booked.

I just want to record with the Committee that over the weekend of the collapse, I was in frequent contact with Grant Shapps, the Secretary of State for Transport, but I also wrote to the Insolvency Service and to UK Finance, to the British travel agents' association, ABTA, and also to the ABI, asking each of them in turn to take steps, first of all, to look at the directors' role in this, to look at ensuring that those who had lost their holiday would get paid out very quickly and, very importantly, asking the banks to make sure that those who had, for example, standing orders going out for mortgages or other types of standing orders would benefit from forbearance from the banks, to enable them to get through that initial period.

Q11 **Chair:** The former chief executive said to us this morning that he had five conversations with Ministers in the days leading up to the collapse of Thomas Cook but that none of them were British Ministers; they were Ministers in other countries, even though Thomas Cook was a British company. Do you find that surprising and, in retrospect, do you think that you or Grant Shapps should have met or spoken with the management yourselves?

Andrea Leadsom: I certainly am aware that Grant Shapps met with the company during September, and that, I think, has been reported to the Committee. As I say, we were in very frequent contact at official level in looking at the practicalities. Of course, Grant, as the lead Secretary of State, was chairing the cross-Government preparations to, effectively, start an airline from the ground up, which was the magnitude of the operation to get passengers home. I was, at the same time, making sure that we were looking after the interests of those who, very sadly, lost their jobs and, at the same time, that we could move forward. As you know, I have established a taskforce which is trying to support those people into work. We are delighted that Hays Travel has taken over some[1] of the shops to create work for people, and 1,000 Thomas Cook staff have already been taken on in those shops. I am very proud of the Government operation. I understand you are looking for some sort of weakness in the operation, but I genuinely believe this was an excellent Government operation.

Q12 **Chair:** No, I am not looking for weakness in the operation. I am just asking about your involvement.

Alex Chisholm: If I could just add one detail, because the UK is the home base for Thomas Cook, the Government had had very extensive negotiations and talks with them over a very long period of time. Indeed, in the run-up to the final event, there were over 100 meetings. It is understandable that other countries needed to catch up quickly in the last few days before the insolvency, because they had not had the benefit of that long and intensive engagement that we had had in the UK Government.

[1] Note by witness: Hayes has taken over all of the shops.

Q13 **Chair:** I am not sure that that is how the executives at Thomas Cook would look at it, but I do accept or am mindful of that argument. One of the issues with Thomas Cook was about some of their accounting techniques. Next week, we will be taking evidence from PwC and EY, as well as from the Financial Reporting Council. I received a letter today from Sir John Kingman, who, of course, did the review for the Government on audit and its regulation. In his letter, he says, "The final, crucial piece of the jigsaw, however, is legislation to put the new regulator onto a proper statutory base—and to give it the powers it needs to do its job. It is therefore disappointing that this legislation was not included in Monday's Queen's Speech." Can you explain why it was not in the Queen's Speech, Andrea Leadsom?

Andrea Leadsom: Certainly, John Kingman's report was very well received by the Government, and the Government have accepted almost all of its recommendations, including the central recommendation, which is to create the new regulator, the Auditing, Reporting and Governance Authority, with stronger powers. Many of the recommendations in John Kingman's report can be taken forward and are being taken forward without the need for legislation. However, as you will be aware, Chair, we also have the CMA's own report and also Donald Brydon's report, which is looking at a slightly different aspect, which is more around what the purpose is and how audit can add value. That report should be available later this year and it is certainly my intention that we take forward this work in the first quarter of next year to ensure that we absolutely maximise all of the learning points that we can take away, both from Thomas Cook and from previous corporate failures, as well as the very good advice that we have had now.

Q14 **Chair:** The thing is there is a feeling that drift is being allowed to occur here. Carillion collapsed in January 2018 and the Government commissioned John Kingman to do that review, reflecting the urgency of the situation. At the end of his letter to me, he says, "I am concerned about the risks of letting the FRC drift on, half-reformed and lacking the teeth that only legislation can give it." Was it not a missed opportunity to not include this legislation in the Queen's Speech, Secretary of State?

Andrea Leadsom: No. As I say, most of the recommendations in the Kingman report can be and are being taken forward without the need for legislation.

Chair: But this is the view of John Kingman.

Andrea Leadsom: Perhaps we will go back to John Kingman and make sure that he is clear about exactly where we are, but his recommendations are welcomed by the Government and will be taken forward. As I say, we want to do that in Q1 next year, so that we have the benefit of the full suite of advice that comes from different angles—from the CMA and from Donald Brydon's report as well.

Chair: I think it was a missed opportunity, but we will move on.

Q15 **Peter Kyle:** Welcome to the new role. It is good to have you sitting here with us today. There has been a very public and widespread advertising campaign telling businesses to get ready for Brexit. You have been telling them to get ready for Brexit in 16 days' time. What is it you are asking them to get ready for?

Andrea Leadsom: What my Department have been doing is participating in the huge national communications plan—one of the biggest communications plans ever—to try to ensure that businesses are very clear about what they need to do. There are some top actions that we have asked businesses to prepare for around employment of EU citizens, around buying and selling goods with the EU, transferring personal data into the UK from the EU and vice versa, providing services or operating in the EU, and, of course, selling manufactured goods. There are actions that businesses need to take, so that is what my Department has been really focused on.

We have had our business readiness forums. We have weekly webinars and dial-ins. I have participated in and led a huge number of SME roundtables, right around the four nations of the United Kingdom. We have our business readiness grant, which is enabling those trade bodies to bid in so that they can scale up and provide that business-to-business advice, and that has been hugely successful, with over 250 bids into it.

Q16 **Peter Kyle:** But the deal does not exist. There is no deal. You mentioned EU citizens' rights, for example, but the deal does not exist. On EU citizens' rights, on feeding in regulatory harmony, particularly with data, all of these things are part of a deal that does not exist. Is it not just irresponsible to expect business to start preparing for something, investing money and time into something that simply does not exist, and then, at the very earliest, give them just a couple of days to prepare for it before it is actionable?

Andrea Leadsom: My advice to businesses has been to understand—each business for themselves—what they would need to do and by when, at the latest, they need to do it. In any business, in dealing with any circumstance, whether you are preparing for anticipated bad weather or a fiscal event that might change the tax regime, it is really incumbent on businesses to understand the sorts of measures that they may need to take. I have just given you some of the top actions and, as I say, what I have been asking businesses to do is to make sure that they understand what the impact is on them. I have tried to give you a bit of a flavour for some of the resources that the Government have provided.

Q17 **Peter Kyle:** How can they understand the impact on them when they have not seen a deal? I understand what you are saying, but when you have a weather forecast, you are probably going to get a longer-range weather forecast than you are going to get for any notice of this deal. If a Met Office weather forecast is more reliable than Government policy, we really are in difficult times, are we not?

Andrea Leadsom: In the event that we leave the European Union with a withdrawal agreement, there is an implementation period until the end of 2020, during which period nothing much changes, so that is very clear. It is in the event that we leave the European Union without a withdrawal agreement, and that is what the Government have sought to inform people about—through a huge communications campaign, but also by providing information, for example, on the European Settlement Scheme; by issuing EORI numbers to those who are exporting to the EU automatically, wherever we can; and by providing pop-up sites all around the UK and across Europe to provide specific business advice to hauliers and to exporters and so on—precisely so that they can prepare for the eventuality that we leave the EU without a deal.

Q18 **Peter Kyle:** There is no precision until you see a deal, because the logic is that, if you do not need the deal to make plans, then the deal is worthless anyway because it will not mean anything. The substance of the deal will profoundly impact particularly manufacturing industries and industries that rely on just-in-time supply chains. It is very difficult.

Let us just move forward. Last week, the representatives of five essential sectors for the country wrote to Government and, in their letter, they spoke about the fact that you aspire to regulatory divergence. The previous deal, which you supported with the previous Government, aimed for regulatory harmony in certain areas. Your deal that you are aspiring to is aiming for regulatory divergence. The letter says that it would be "disruptive to our complex international supply chains and has the potential to risk consumer and food safety, and confidence, access to overseas markets for UK exporters and vital future investment in innovation in this country." Do you not go cold when you read that assessment by the people who are running businesses in the front line?

Andrea Leadsom: Just to be clear, again, when we leave the European Union, if it is with a withdrawal agreement, the implementation period takes until the end of 2020, so nothing changes for that period of time. It is only if we leave the European Union without a withdrawal agreement that these sorts of arrangements kick in.

Q19 **Peter Kyle:** Be specific, because what you have just said, by your own admission, is that everything that they have just said here will happen after a year. That is the best-case scenario, because you are aiming for regulatory divergence.

Andrea Leadsom: No, that is the bit that I want to take up. We are not aiming for regulatory divergence. What we are looking for is a best-in-class free-trade agreement rather than to be aligned from a regulatory point of view. Businesses say to me, "What is it you want to un-align?" The fact is that when we leave the EU, with or without a deal, we will have regulatory alignment by definition, because we are currently exactly the same in our regulations as the EU. As we go forward, for example, with new ideas that do not exist now, in financial technology, in innovation, in space, in artificial intelligence or in robotics—in the extraordinary technologies of the future, where there are not currently regulatory regimes that are very well established—it is there that the UK may want to have its own regulatory regime.

Q20 **Peter Kyle:** We move on from industry then. We move on from manufacturing and from supply chains.

Andrea Leadsom: No, not at all. No, not in the slightest.

Q21 **Peter Kyle:** If you are making a car, all it takes is one item in that car that does not meet regulatory standards, and the entire car is unable to be exported into the single market. That is how complex this is. This is not a question of sending rockets into space or artificial intelligence and all the rest of it. This is about bread and butter for jobs that exist across our manufacturing sector today.

Andrea Leadsom: That is absolutely right. As I started off with, it is absolutely not the intention to diverge from a regulatory point of view just because we can. What I am trying to give you an example of is where, in the future, we will want to have potentially new regulatory regimes. You are absolutely right, Mr Kyle: in terms of the regulation of a widget, there is no agenda to change regulation there. As I say, when we leave the EU, whether it is with or without a deal, regulation will be the same on all sides, because it is today. It is only in the future, either because businesses say to us in enough numbers, "This regulation does not make sense, so why do we not change it?" for whatever good reason, or, indeed, in the industries of the future, that there may be regulatory divergence.

I just really want to reassure the Committee and all businesses, which I do reassure whenever I meet with them, that there is not some kind of diverging for divergence's sake. It is an issue of being in a position to create a different regulatory regime for some of the industries of the future. That is a really important opportunity for the United Kingdom to compete and to be a force for global free trade and so on in the future.

Q22 **Peter Kyle:** We understand, and I do appreciate the explanation. Whether it is regulatory divergence by accident, by design or by new relationships elsewhere in the world—

Andrea Leadsom: It would not be by accident.

Q23 **Peter Kyle:** If it happens, it has the same impact. It does not matter what it is.

Finally, I just wanted to press you on a broader issue about the next few days in Parliament and the Brexit deal that may or may not come back. In the run-up to the first two meaningful vote defeats, I sat down with my team and rather painstakingly went through every single speech that was made in the House of Commons, to try to familiarise myself with what the real issues were. It was very frustrating for me, because there was a huge amount of emphasis coming from Government on the backstop, for very understandable reasons, because of the political, cultural and security issues related to that on the island of Ireland. However, the issue of trade and commerce between the single market and Britain was mentioned four and a half times more often in those debates than the backstop was. I do not see how the deal that you are aspiring to as a Government is taking that into account, because I do believe the offer that is going to come back is going to be a narrower offer, in terms of trade and regulatory harmony and the ability to have a customs arrangement, than the previous deal. How are you going to address the issues in the Commons that were expressed specifically about trade, commerce and access to the single market, bearing in mind you are aspiring for a more distant relationship?

Andrea Leadsom: I do not think it is true to say that we are aspiring for a more distant relationship. We are aspiring for a relationship that means that the United Kingdom can trade freely with the whole world. At the same time, clearly, we are a core part of Europe. They are our friends and neighbours. We move to one another's countries. There is a very close trading relationship.

Q24 **Peter Kyle:** With respect, do not be platitudinous about it. Just say how we are going to tackle the issue that, in the Commons and in the country, what people really want is a very close—and in your words, previously—frictionless trading relationship. Are we going to get it?

Andrea Leadsom: As I say, we want to have a very close relationship with our EU friends and neighbours.

Q25 **Albert Owen:** Can I move on to no-deal scenarios? I would remind you that, on 11 September, the Government published the Operation Yellowhammer document, which was dated 2 August. The document talks about reasonable worst-case scenario assumptions. As Secretary of State for BEIS, would you expect any business to sign up to proposals that were listed as a two-day Channel delay, disruption to supply of products and possible fuel shortages in this reasonable worst-case assumption? Have you revised this document from 2 August?

Andrea Leadsom: Thank you very much, Mr Owen. First, can I say that Yellowhammer is obviously a reasonable worst-case scenario? It is not something that is expected to happen. It is the reasonable worst-case scenario. Our planning is around ensuring that trade continues to flow. An absolutely vital focus, in all of the work that we have been doing in various committees in recent months and years now, is on maximising the flow at the border. If we get that right, in all circumstances in the event of leaving the EU without a withdrawal agreement, if trade continues to flow, then of course commerce will be able to continue.

Q26 **Albert Owen:** That was written on 2 August and it is now mid-October.

Andrea Leadsom: What I can say is that in the areas that my Department is responsible for, the picture has improved and we have been able to revise, in terms of the preparation and the pinning down of mitigations and so on.

Q27 **Albert Owen:** Can you share some of that with us, which would give business more confidence? You know that my constituency is on the front line of this, and the port is not ready; I will be honest with you. I know that Michael Gove has been there and has spoken with them, but it is just not ready. What have you been saying to businesses that will help them and give them the confidence that trade will come through the port of Holyhead into the United Kingdom? As Peter Kyle said, this is EU versus non-EU in this worst-case scenario.

Andrea Leadsom: Yes. There has been a huge amount of work that has gone on. You will be aware that there is a Border Delivery Group that is, effectively, doing all the way through from departure point to arrival point, in both directions, from business through to purchaser, and all of the ramifications for moving smoothly through the ports. There are all sorts of preparations around ensuring that hauliers have the right documentation, that exporters and importers have the right documentation and that businesses know what documents they need, and ensuring that there are places, if necessary, for lorries to be turned back if they do not have the right documentation, in order to avoid any blocking-up at the border. There has been a huge amount of work that has gone on.

Q28 **Albert Owen:** With respect, how will that work? Will they not come on in the Republic of Ireland, or will they not come off the ships at British ports? There is no warehousing. There are no facilities in place. If there is no deal on 31 October, you are talking about, in the worst-case scenario, sending them back, but sending them back where?

Andrea Leadsom: There are various mitigations and it does depend. There are many different ports and different mitigations to try to maximise flow at every single port. That will vary, depending on which port it is. Essentially, the biggest challenge is the issue of flow, so a great amount of time and preparation has been spent on ensuring that that flow can be maximised in all circumstances.

Q29 **Albert Owen:** What has been revised in the document? You have looked at it with a fresh pair of eyes. It was published in August; we are now in October. What has changed?

Andrea Leadsom: Specifically, there are various mitigations that are in place as a result of the last few months' work right across the board that have potentially meant that the expectation range in the reasonable worst-case scenario has improved in terms of flow.

Q30 **Chair:** What are those mitigations, Secretary of State?

Andrea Leadsom: As I have just explained, it is about the preparation for issuing EORI numbers to exporters, ensuring that hauliers have the right documentation and that businesses know what paperwork they need to have. I could perhaps turn to Sam Beckett who leads on this.

Q31 **Albert Owen:** I might just give you an example of somebody who represents this. When I travel along the A55, I do see flashing lights saying, "Get ready for 31 October", and "Get your papers and documents", but when I speak to hauliers and when I speak to the shipping companies, they are not ready and prepared for that. That is what worries me. Do you speak to businesses and business organisations, and do you listen to their concerns?

Andrea Leadsom: Yes, absolutely. As I said at the start of this session, I have held roundtables with businesses right across all four nations of the United Kingdom, and several in London. I have been to various cities in England and met with businesses there, so I have a very good picture of the challenges for business. Certainly, business preparation remains a challenge, but business awareness is quite high.

If I may, one of the biggest challenges that we have had has been businesses' expectations, following the passage of the Benn Act, about the likelihood of a no-deal exit from the EU. That has been one of the challenges: that businesses are all aware of the work that Government are doing to prepare for leaving the EU without a withdrawal agreement, but they are not taking action as a result of the Benn Act. There has been quite a lot of evidence that the willingness of businesses to take action has reduced significantly, from surveys by the Federation of Small Businesses and others. Nevertheless, we continue to urge them, at all of the readiness forums, webinars, phone-ins and meetings that we have, to do just that. We have had roadshows right across the United Kingdom. I would like to ask Sam to give you some more colour to that, but businesses are going away feeling much better prepared and with much more information. I will ask Sam Beckett to just give you a bit more information on that.

Sam Beckett: In addition to some of the things that the Secretary of State has mentioned, there are a couple of things that I would pull out that we think have had a significant benefit on our projections of flow through ports, and particularly the short straits. One of them is what HMRC has done on transitional simplified procedures. What this means is that goods coming into the UK can flow through seamlessly and declare their customs and checks after the fact, and also delay their payment of tax through that way as well.

Q32 **Albert Owen:** How can you declare a check? It is somebody checking it physically, is it not?

Sam Beckett: What happens is, on the way into the UK, we have control over the level of checking that we do on goods coming into the UK. There, what we have said with large companies that can sign up for this simplified procedure is that we can carry out that checking after the fact. We will look at their paperwork and account for the tax after they have left the port and when they have delivered their goods to their destination.

Albert Owen: Is that at the destination point?

Sam Beckett: It is when they have arrived at their destination in the UK. They do not have to do anything at the border if they can sign up for this transitional simplified procedure.

Q33 **Albert Owen:** Has that been agreed with port authorities?

Sam Beckett: Yes, that is right. It is something that HMRC has announced recently. Another thing that I would pick out is what they have done about auto-enrolling VAT-registered businesses that trade with the EU for their export operators' registration indicator. That is the number you need to be able to complete customs processes. We had been communicating to businesses that they needed one of these numbers, but to increase take-up for those businesses, where HMRC has the details—the VAT-registered ones—it has auto-enrolled them. That is over 80,000 businesses.

Q34 **Albert Owen:** I do not want to hog this point but, as somebody who worked in the port for many years before I was elected, if you allow the cargo to go through the port, you are going to need more people to check it at its destination than you are at the port, because you have a core team of experts at the port. Some of this is cargo right across Europe, not just in the UK. Much of it goes beyond and through Dover as well.

Sam Beckett: The UK is taking the view that a good that is being imported to the UK the day before Brexit and a good that is being imported the day after will be no different in terms of their regulatory compliance. Those checks can be moved away from the border to make sure that the flow, at least in that direction, is seamless for those traders that have signed up to this simplified procedure.

Q35 **Albert Owen:** I understand the theory, but the practice will be more difficult. Can I move on to Operation Kingfisher, which identifies which companies may need state support in the event of a no-deal Brexit? Can you confirm, Secretary of State, that the Government would intervene to support private businesses that may falter or fail because of the Government's policy?

Andrea Leadsom: Certainly, there will be a number of measures that the Government have at their disposal. These include the macroeconomic levers at the hands of the Bank of England. There are possible Treasury interventions around HMRC's Time to Pay. There are also potentially fiscal interventions that the Treasury could make. In addition, there is the potential for interventions from my Department. We have the British Business Bank, which is intended to help to support finance to small businesses that need short-term liquidity and so on. We are looking at using that as a first line. You might be aware that I have established a Business Finance Council with the big lending organisations in the UK, and just this week we have agreed an SME Finance Charter, where each of those lending organisations will set out how they will support SMEs through Brexit and beyond. There are various different measures at the Government's disposal to be able to support businesses as we transition through Brexit.

Q36 **Albert Owen:** Will that involve taxpayers' money or a cost to the taxpayer? You mentioned businesses. When we had foot-and-mouth, for example, there was a 12-month holiday during which they did not have to pay, and they also had some rate relief. Is that the sort of thing you are talking about, or are you talking about direct taxpayers' money?

Andrea Leadsom: There will be a range of options.

Q37 **Albert Owen:** Have you estimated how much that is going to cost the taxpayer?

Andrea Leadsom: As a first port of call, we will be looking to the lending providers and to the British Business Bank, which exists anyway. Equally, there may well be some interventions that the Government want to make to help. For example, in the automotive sector, we have recently announced £1 billion for the move to greater electric vehicles and for new innovation in that space. As we transition our economy and we look to some of the opportunities outside of the EU, we will want to invest in some of those areas.

Q38 **Albert Owen:** I get that in the mid and long term, but in the short term some businesses may be facing a cliff-edge. For instance, on agriculture, which does not come under you, there will be livestock on 1 November for which there is no market, so you are going to have to compensate them. Will businesses receive similar compensation?

Andrea Leadsom: There will be measures put in place to directly support some businesses with particular situations.

Q39 **Chair:** Does the Department have a budget for that, Secretary of State?

Andrea Leadsom: We are in discussions with Treasury and with other Departments now about exactly what type of support can be offered.

Q40 **Chair:** When will that be decided? It is 16 days until we are supposed to be leaving the European Union.

Andrea Leadsom: In most cases, businesses would first go to their finance providers. As I mentioned, there are other remedies, ranging from Bank of England interventions to Treasury interventions. Those further interventions that may be necessary will only become apparent over time. Certainly, it will be very important that we look very carefully at what the need is and what the levers are. That work is ongoing.

Q41 **Chair:** But at the moment, there is no budget in the Department for helping businesses that might be negatively impacted.

Andrea Leadsom: The work to assess that is ongoing.

Q42 **Chair:** At the moment, there is no money that has been—

Andrea Leadsom: Because the work is ongoing, it has not been finalised.

Q43 **Albert Owen:** If there are immediate delays and impacts on small businesses, will they have to go to their own banking facilities and try to get overdrafts in the first instance, or are the Government going to intervene from day one? That is what I need to know.

Andrea Leadsom: As I say, there will be a range of interventions, ranging from the Bank of England to high-level fiscal changes potentially, and Time to Pay. We have enterprise finance guarantees through the British Business Bank and we have export finance support. We have various pre-existing support mechanisms and, as I say, we are looking at what else may be needed.

Q44 **Mark Pawsey:** Secretary of State, I want to speak to you about small businesses. I want to come on to the effect of leaving the EU on small businesses, but I just want to ask you some general questions about the advice and support for small businesses more generally. We did an inquiry a year or so ago, when we looked at where businesses could go for advice. It is incredibly erratic. In some areas, there are really well-run LEPs with growth hubs and advisers who businesses can go and talk to; in other areas, that may be lacking and they have to pay for professional advice. Do you think we are doing enough to help and support small entrepreneurs?

Andrea Leadsom: I certainly would agree with you that we have the most extraordinarily vibrant SME set in the United Kingdom. We are very keen to see what more we can do to support new start-up SMEs but also, really importantly, scale up. We are looking at all kinds of areas to support both new innovations but also small businesses to raise capital. Just last week, I announced a big investment in new productivity measures to help provide greater productivity. I went and met a small business that provides health and safety advice to the construction industry to provide sign-offs for whether they are constructing in a safe way. They were explaining to me that by moving to an online checking system, they had improved their productivity by 100%, thereby improving their profitability and so on. You are absolutely right that there is more we can do, and it is a combination of different things, ranging from productivity gain to more funding opportunities and to scale-up.

Q45 **Mark Pawsey:** Are there enough incentives to invest and to create those productivity gains?

Andrea Leadsom: We have a number of initiatives that I, as a new Secretary of State, would say need to become better known. For example, the British Business Bank is a great facility, with its enterprise finance guarantee and its start-up loans. It does support many thousands of new start-ups, but it is not sufficiently well known; we could do more there.

In terms of productivity, some of the investments we have recently announced will then be made available to different SMEs. There is a Government-backed not-for-profit organisation called Be the Business, which helps small businesses with training to take advantage of productivity innovation in order to support their own business. We have various innovation grants and so on. I completely get where you are coming from—that it does tend to be a bit patchy and sometimes a bit hard to access—so I am really keen that we do more to provide a central place where small businesses know they can go to find Government support, or indeed local authority or LEP support.

Q46 **Mark Pawsey:** Small businesses are large employers of people when we add them all together, but one of the concerns that some businesses have raised with me is the welcome increase that has been announced in the living wage. That is great news for the workforce but presents a challenge to some small businesses. It raises their costs and it may make it difficult for them to take on new staff. Do you have any concerns? How might that be ameliorated?

Andrea Leadsom: On the day of the announcement during our party conference, I was meeting with approximately 100 small businesses with the FSB shortly afterwards, so I was left in no doubt about the two sides to that coin. We should all celebrate the opportunity in our economy, where employment is so high and where the economy is still strong and foreign direct investment is good, to improve the living standards of all of the workforce by lifting the national minimum wage quite so significantly and ambitiously. That is something to celebrate but, at the same time, there are some small businesses for which that will be a challenge. The Chancellor made clear that there will be consultation, and it will be very carefully done over a period of time, to make sure that any damage to small businesses can be mitigated.

Q47 **Mark Pawsey:** Secretary of State, you mentioned the Federation of Small Businesses, and I am glad that you have met with them because they are a great advocate for that sector, but they have expressed concerns about the preparations for a no-deal Brexit. They estimate that it will cost the average business £2,000 and they have asked for measures such as a temporary reduction in VAT and the expansion of Time to Pay for corporation tax and other bills. You mentioned interventions, but they are all a bit loose and a bit vague at the moment. Is there anything more positive and more concrete that you can reassure small businesses with?

Andrea Leadsom: First of all, I would like to publicly pay tribute to the business representative organisations. We have had, as I said, over 250 bids from trade bodies to access the business readiness grant for Brexit and to then provide information to members and non-members about the need to prepare. The FSB has certainly engaged with that very well and I am grateful to anyone who has done so.

To answer your question specifically, as I said in answer to Mr Owen, there are a number of different measures that the Government are looking at, which will include a combination of direct and indirect supports for small businesses in the event of leaving the European Union without a deal.

Q48 **Mark Pawsey:** A number of years ago, for any of us who met with small businesses, access to finance would probably have been the first item that they raised. You told us about the Business Finance Council that was recently set up. How is that going to help businesses, and particularly those that are perhaps facing Brexit stresses?

Andrea Leadsom: The interesting thing is that, at the last Business Finance Council, which I chaired last week or possibly the week before, that is when we set up the SME Finance Charter. We have some of the business representative organisations, including the FSB, which are standing members of the committee. What is interesting is that on the one hand, UK Finance will report that 80% of SMEs that ask for a loan get one, one way or another, and yet, when you talk anecdotally to the FSB, they say that the experience of SMEs is that they are not able to access finance in the way that the statistics would suggest that they can.

There is clearly a difference between perception and reality there, so the real advantage of the SME Finance Charter is that any signatory to it will, in order to be a signatory to it, have to put very clearly on their own website, and to be shared on the Government website, exactly what SMEs can expect to get from them—what sort of financial support they can expect to receive, what kind of turnaround and what kind of onwards advice if they cannot help and so on. That provides for businesses somewhere to go and look to see what they can expect to get, and something to wave around—an SME Finance Charter that really enables them to push back if they feel that they are not getting the support that they should be.

Q49 **Mark Pawsey:** It would seem to me, Secretary of State, that what small businesses want, in order to expand and access that finance, is the certainty that our departure from the EU can provide. The issue that most of them raise with us, as a Committee and as MPs individually, is that of late payments. We certainly heard a great deal about that when we did our inquiry into Carillion. We had the recent appointment of the Small Business Commissioner, who did seem to be making real strides in calling companies to account on behalf of small businesses. I know you have written to the Chair with regard to the change in personnel there but I wonder if you could just reassure us that the great work that has been started will be carried on.

Andrea Leadsom: I absolutely can. In fact, one of the first things I said on moving into this new role is that I would really like to finally solve the challenge of prompt payments. It is something that the Government are very committed to. I am very much aware that, for many small businesses, the biggest challenge that they face is late payments or, indeed, unequal payments. The people that they are receiving payment from will pay them within 90 days, but the people that they have to pay want payment before they get the goods or, indeed, within 30 days. There is work to be done there, and the Office of the Small Business Commissioner is absolutely working full tilt to that end. We had the proposals following the call for evidence, and those policy announcements that were made in June remain absolutely a core requirement of the Government. We will be working with the Office of the Small Business Commissioner to ensure that that goes ahead.

Q50 **Mark Pawsey:** Is naming and shaming adequate? Should the next Small Business Commissioner have more powers?

Andrea Leadsom: We are looking at how we can increase the powers of the Small Business Commissioner.

Q51 **Stephen Kerr:** I just wanted to go back to the comments that the Secretary of State made about a single point of accessing help. The small and medium-sized business support landscape is just a clutter. On top of what you have down here, business support is devolved. When you talk about a single point to get access, will you also include in the composite of information what is going on in the devolved nations?

Andrea Leadsom: That is a really important point. We work very closely with our colleagues in the devolved administrations in terms of what kind of support we are offering versus what they are offering. In particular, when it comes to some of the larger corporations that require Government support, very often those are done jointly with colleagues in the devolved administrations. It is a really good point that you make and it is certainly something that, in our desire to clear up and make more transparent how small businesses can be helped, we will absolutely be looking at what is available through the devolved administrations as well. Alex, can you shed any further light on how we are working with the devolved administrations?

Alex Chisholm: Just to add to that, we have put a huge effort, particularly in preparations for Brexit, into consulting very closely with the devolved administrations. I do not know if you have had evidence from them but their feedback to us has been very appreciative of that, and we have really stepped that up. It has been a particular focus recently in Northern Ireland because we see that as being very much at the centre of the effects.

Q52 **Stephen Kerr:** That is not what my question was about. It is about having a single point of access for the business support that is available, rather than a jungle. Frankly, small and medium-sized businesses are operated by people who are not exactly time-rich.

Andrea Leadsom: You are exactly right.

Q53 **Stephen Kerr:** Alex Chisholm will know, from his previous appearances before this Committee, that I am not a great fan of what BEIS does in

Scotland, because the footprint of BEIS in Scotland is limited, in my opinion, to the Oil and Gas Authority in Aberdeen. As a Union-wide Department, your presence in Scotland is not strong.

Andrea Leadsom: I have a meeting with my devolved administration colleagues early next week, and we will be talking exactly about how we can work more closely together and what more we can do, from a business-facing point of view, to make that seamless. This is very timely from you, and I will absolutely make sure that we cover that question. I would say, however, that it is unlikely, precisely because of devolution, that there would be only one initiative. That is slightly different from the point that you are making, which I think is that there should be one access point and clarity, and that, if there are two pots of support that look as if they might slightly overlap or be duplicative, that should be very clear and businesses should not find themselves throwing their hands in their air and wondering who is doing what. I think that is the point you are making.

Stephen Kerr: Yes, it is.

Q54 **Vernon Coaker:** Good afternoon. Can I just ask about the Business Readiness Fund? This emerged on 29 August as a £10 million fund to help associations to prepare for Brexit. The initial closure date was 30 September, which was then extended by seven days. This is for new activities or new work, and it has to be spent by 31 October or it is repaid. How is it going?

Andrea Leadsom: I am really pleased with it. The reason why we extended it was because we had something like 53 bids on the final day. It was quite clear, as you would expect, on 29 August that the prerequisite was that in order for it to be relevant to being business-ready for Brexit, the money had to be spent by Brexit, and therefore it required all of those trade bodies to turn around the actions they were going to take very quickly, to get their bids in, for us to then turn those around very quickly. My Department was turning them around, including funding them within seven days in almost all cases.

As I say, we have had over 250 bids and we expect that we will, in the end, allocate £10 million to £12 million, so we also increased the size of the pot from £10 million to £15 million and extended the application date because there were a few that just did not quite make the deadline. The point is that it was very clear that businesses like to hear from other businesses. We had an excellent business supply chain day with JCB, which very kindly brought in a whole group of its supply chain, so that all of them could speak together about Brexit readiness. That readiness fund has been a real success story.

Q55 **Vernon Coaker:** Of the 250 bids that were made, how many have been approved?

Andrea Leadsom: £5 million has already been paid, with a further £3.5 million due to be paid out. An additional £5 million of proposed activity is undergoing assessment.[2]

Alex Chisholm: It is 65.

Andrea Leadsom: I was trying to find that; well done. It is 65 bids.

Vernon Coaker: 65 out of the 250.

Andrea Leadsom: Yes. A number of those that were unsuccessful were mainly because they were not specific to Brexit readiness, so they were broader bids. They just did not meet the brief. We published some of the types of business support organisations, and they really do range from Scottish shellfish associations to haulage associations to legal advice trade bodies. It is a huge range right across the United Kingdom.

Q56 **Vernon Coaker:** What about if it did not exist? What are they doing? What are they preparing for?

Andrea Leadsom: What they are doing is providing advice on how to fill out a customs form, for example, or providing advice on mutual recognition of professional qualifications amongst different EU member states, for example, or providing advice on how to ensure that your export documentation is ready if you are a haulage firm.

Q57 **Vernon Coaker:** Would they not be doing that? Why would you not be looking at what a customs document was?

Andrea Leadsom: The fundamental problem that we have had has been businesses not getting ready.

Q58 **Vernon Coaker:** Businesses have not been getting ready for what?

Andrea Leadsom: For Brexit.

Q59 **Vernon Coaker:** You, as the Business Secretary, are saying that businesses have not been getting ready for Brexit.

Andrea Leadsom: Not enough of them have been taking action.

Q60 **Vernon Coaker:** That can mean anything. You have just said businesses have not been getting ready for Brexit. Is that half of them or most of them? Is it big businesses? What do you mean?

Andrea Leadsom: To break it down, our assessment is informed by various studies that we have done, which are probably not statistically significant enough. We have quite a lot of information from various business representative organisations. We know that most of the biggest businesses are, in fact, ready for Brexit and have been for quite some time, whatever happens. They may have opened an office in Europe, re-

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[2] Note by witness: At the time the Committee met 69 grants had already been paid, totalling £6.3 million with £3.8m waiting to be paid.

registered chemicals or got a different CE operator in Europe, for example. Big organisations tend to be very well ready.

As you go down the supply chain into the smaller organisations, what we have found is that while the majority of them are aware that there is a chance of a no-deal exit, a number of them have said, "We are not going to get ready yet. We want to see what the outcome is". As I said at the very beginning of this session, what I have been trying to do is to get them to look at what you would need to have ready in the event that we leave the European Union without a withdrawal agreement. I gave some examples for EU citizens, for exporting to the EU and for your staff travelling to the EU, for example if you are servicing a piece of equipment and need to go to Germany, France or whatever. I have been urging businesses to consider carefully what they need to have ready. What these trade bodies have been really helpfully doing is, with that specialist focus—whether it is shellfish, haulage or legal advice—providing that detailed information to their own members and non-members on what they would need to do.

Q61 **Vernon Coaker:** As a final question, is the Business Readiness Fund asking businesses to get ready for a no-deal Brexit or a Brexit with a deal? Is there a difference? Do they have to prepare two forms—one for no deal and one for Brexit with a deal?

Andrea Leadsom: No. If we are successful in getting a withdrawal agreement, there will be an implementation period until the end of December 2020. On 1 November, nothing will have changed and business will continue as it does on 31 October. It is only if we leave the European Union without a withdrawal agreement that everything could potentially change overnight, apart from the extensive mitigation that the Government have put in place in recent months. It is that scenario that we are trying to get businesses to be prepared for. Therefore, as you quite rightly say, Mr Coaker, a lot of businesses are saying, "We got ready for the end of March and you did not leave, so now you are asking us to get ready for the end of October and it is not clear to us that you are going to leave then either". I am saying to businesses that they at least need to know the last date by which you can get your EORI number and sort out your export certificates, so that you are not left in a position on 31 October—

Q62 **Vernon Coaker:** When is the last date?

Andrea Leadsom: It depends entirely on the individual business.

Q63 **Vernon Coaker:** It could be before the 31st?

Andrea Leadsom: It could well be, yes. Indeed, it could well be. For different preparations, there are different lead times. Of course, if you end up with a last-minute rush, you could also have problems there. I am urging businesses to be very clear, as individual businesses. We have been hugely supported by trade bodies with specialisms. I am asking every business to clearly understand, using the GOV.UK website and our weekly phone-ins, and using our trade bodies providing you with direct advice for your sector, and to make sure that they know what they need to do in the event that we leave without a deal.

Q64 **Stephen Kerr:** Can we move to the net zero target? Setting a target is the easy bit. Getting everyone to agree that it is a good thing that we are net zero on carbon by 2050 has not been that difficult. When will the Government be in a position to deliver a comprehensive policy package that puts us on track to deliver net zero by 2050?

Andrea Leadsom: Thank you. I am delighted to have the chance to answer that. With very slight lenience from the Chair, I would just like to set out my departmental priorities for BEIS, because they are very pertinent to what Mr Kerr is asking. Would that be all right, Chair?

Chair: Yes.

Andrea Leadsom: A minute's elevator pitch.

Chair: Two minutes, even.

Andrea Leadsom: Thank you very much. Since coming into BEIS, my concern has been that the Department is involved with such a broad range of policy priorities, so I have been seeking to define what should be our absolute priorities. That is defined as creating a stronger and greener United Kingdom. There are three priorities, and our first one is delivering that path to net zero, with all that entails for jobs, growth, green growth, exports and so on, as we leave the EU.

The second priority is tackling our grand challenges, and there are lots of those, from life sciences and helping everybody live longer and more healthily, to space, which is a huge shared prosperity, UK-strong agenda, with spaceports in Scotland, Cornwall and Wales. They are very different and varied grand challenges.

Our third top priority is, quite simply, to make the UK the best place in the world to work or to grow a business. Those are my priorities. That was very brief—less than a minute—and now I will answer your question, Mr Kerr.

As you can see, priority No. 1 is the pathway to net zero, with all of the jobs and opportunity that that holds. It is my intention, with our leadership of COP26 at the end of next year in Glasgow, I am delighted to say, that we will be setting out that pathway to net zero. As you would expect, there are various different ways of doing it. You could maximise renewables, which gives you lots of capacity but less baseload. You could maximise nuclear, which gives you lots of baseload but is potentially very expensive, with longer timeframes. You could have that mix. CCUS will be very important in that mix, and I am absolutely determined—it is second time around, because I had a go as Energy Minister—now as Secretary of State that we give carbon capture, usage and storage its rightful place in our energy mix.

Setting out that pathway to net zero in good time before we host COP26 is really important, as is setting out our global ambition. Of course, we are measured on our territorial emissions. We are measured on our consumption emissions, i.e. what we are emitting from everything we consume. I also want us to measure our contribution to global decarbonisation, which is very ambitious. I am really keen to work very much on a non-partisan basis. I know that, for example, Mr Hendry and Mr Gardiner are very keen to work on a cross-party basis towards achieving this—the biggest challenge that faces the world, not simply my Department.

Q65 **Stephen Kerr:** This all sounds good. The Committee on Climate Change set the Government the objective of producing this policy package by November 2020, but there was no mention of it in yesterday's Queen's Speech. Why is that?

Andrea Leadsom: There were actually lots of mentions, if you go through it. There were our ambitions on the environment. In fact, the postscript is: we are going to tackle global climate change, one of the biggest challenges of our age. The pathway, as I tried to explain, does depend on certain things. We are working at pace right now to set out the different alternatives. Those will depend on where we think the most fruitful elements are likely to be.

Just to take a few, we know, for example, that we are half the world's offshore-deployed wind, or thereabouts, which is a huge success story for UK plc. Also on the world stage, we are leading the world in that particular technology. There is also carbon capture, usage and storage. We have the whole of the North Sea Basin, which is very keen to be part of that story. We also know that creating size and scale for CCUS is a longer-term thing that will take time. We need to look at the pathway that combines energy security, affordability for taxpayers and achieving net zero. That is taking a little bit of time but I am absolutely optimistic that, in Q1, we will be setting out our energy White Paper with the benefit of our consultations that are about to or have just closed on CCUS and on new nuclear, and those will then be able to inform the choices that we want to propose.

Q66 **Stephen Kerr:** We might come back to some of that, but when the Government produce their plan to get us to net zero by 2050, will there be milestones?

Andrea Leadsom: Yes, very definitely.

Q67 **Stephen Kerr:** The lack of milestones does not give certainty to private investment.

Andrea Leadsom: I completely agree with you. One of the things I was most proud about as Energy Minister was that we announced during that time, in 2015, that we wanted to get coal off the system by 2025. Here we are in 2019 and, in the last six months, about 4% of our electricity generation has been from coal. You are exactly right that if you set the direction, the milestones and the investment potential for business, they will then overachieve. I am very ambitious about our decarbonisation ambitions and I totally agree with you that we need to set milestones and targets, and then we need to enable businesses to get on with it, with a very clear steer from Government.

Q68 **Stephen Kerr:** Yet, rather disappointingly, in the spending review, the Chancellor announced there was only £30 million for UK decarbonisation. It seems extraordinary, given the scale of the ambition that you are so well articulating, that it would only be £30 million.

Andrea Leadsom: That was very specifically for the resourcing aspect of looking at the choices.

Stephen Kerr: Within BEIS?

Andrea Leadsom: Yes.

Stephen Kerr: That is salaries.

Andrea Leadsom: Exactly. It is looking at the people costs of producing the policy work to be able to meet that challenge. What we are looking to is the budget, the infrastructure plan, and our decarbonisation plans next year. However, already, since our legislation to achieve net zero by 2050, we have made about £2 billion of commitments, including a £250 million Clean Steel Fund, which is really important, not least in Wales, in Scunthorpe and across the UK, with £1 billion of additional funding to develop and embed the next generation of cutting-edge automotive technologies; £400 million for electric vehicle charging infrastructure. We have had the Contract for Difference scheme AR3, with 12 new renewable energy projects powering over 7 million homes. We have doubled climate finance from £5.8 billion to £11.8 billion. We have announced a new £1 billion Ayrton Fund, driving forward clean energy in developing countries. We are making announcements. I totally accept the question about the spending review, but that was very specifically tackling one aspect of what we are doing.

Stephen Kerr: It was widely misinterpreted.

Andrea Leadsom: We tried to make it very clear that our announcements about our net zero plans would be coming later.

Q69 **Stephen Kerr:** I have a couple of quick questions. When can we expect the energy White Paper?

Andrea Leadsom: That will be in Q1 next year. The reason for waiting for that, as I mentioned, is because we have had consultations on carbon capture, usage and storage and on new nuclear, which have just closed. We will be responding to those, and it is really important that those form part of setting out the pathway forward.

Q70 **Stephen Kerr:** I am going to come back to energy and CCUS. I have one last question: when will the National Infrastructure Strategy be published?

Andrea Leadsom: That, again, will be soon, within the next few months. It is a top priority. The Chancellor will say more about that at the Budget.

Q71 **Stephen Kerr:** Have you had conversations with the Chancellor about a national infrastructure bank?

Andrea Leadsom: Certainly, there is a lot of discussion. I am a big fan of a UK development bank and I believe that, as we leave the European Union and are no longer party to the European Investment Bank, UK infrastructure is vital but so are green technology, innovation, and start-up and scale-up. I am certainly having discussions with colleagues about how we take forward some of our big ambitions for the United Kingdom.

Stephen Kerr: I find it quite encouraging that you are having those conversations. Thank you.

Q72 **Albert Owen:** Very briefly, on the energy White Paper, I understand that you are waiting for the consultations on nuclear and carbon capture. Give us a flavour of what else will be in the energy White Paper. What is your ambition?

Andrea Leadsom: There is a wide range of different topics that will come in there. As this Committee will know, it is roughly a third power generation, a third transport decarbonisation and a third heating decarbonisation. It is obviously a lot more technical than that, but there are some big requirements for decarbonisation of transport and home and business heating. We are working at pace across Government to be able to look at what we want to do in each of those areas to meet our target of net zero by 2050. At the moment, we are still looking at the absolute scope of the energy White Paper but it could include all of those areas. I was delighted to announce about three or four weeks ago a significant investment of over £200 million in nuclear fusion, which the UK could potentially lead the world in. That may or may not play a part in our own net zero plans because, of course, the deployment time for that is potentially too late.

Q73 **Albert Owen:** You mentioned transport and housing, so all the Departments will be coming together and you will be leading as a Department on that when publishing the White Paper.

Andrea Leadsom: As I say, those discussions are under way, but certainly the Department for Transport has said it will set out its own plans for decarbonisation next year. Whether it is specifically a part of our energy White Paper or whether it is a separate proposal, it is certainly our intention that we set out a great deal more detail about our decarbonisation plans during the course of 2020.

Q74 **Drew Hendry:** Good afternoon, Secretary of State. You are absolutely right that we want to do everything we can to help the UK reach its 2050 target. I want to ask you some questions about how that is going to happen. It was good news to hear the Transport Secretary announce at the Conservative party conference that your Government are reviewing the target date for phasing out petrol and diesel engine sales. Can you tell us when you will announce that new target, and will it match the 2032 date set by the Scottish Government?

Andrea Leadsom: I cannot directly answer the question except to say that you are absolutely right that the Secretary of State for Transport and I have had conversations about an absolutely shared ambition to achieve decarbonisation of vehicles as soon as possible. He will be setting out soon, within the next few months—

Q75 **Drew Hendry:** Will it be nearly a decade ahead of 2040? Will it be closer to 2030?

Andrea Leadsom: What will be important there is that we consult on the realistic achievability of any such change. The ambition is absolutely there, but we equally have to recognise that the automotive sector is an incredibly successful sector in the UK, and we want to do it within an achievable timeframe, not, in effect, forcing the very successful sector to make some very big changes in too short a timeframe.

Q76 **Drew Hendry:** Some might say that the information is already out there for you to make that kind of decision, but let us move on. You have just said that you do not intend, if I heard you correctly, that nuclear fusion will be part of the package to significantly reduce the emissions needed to hit the 2050 target. Is that correct?

Andrea Leadsom: As I say, my ambition is huge, but having just been to Culham to see the new STEP ambition and the MAST that is the prototype for our fusion efforts, it would be realistic to say that the UKAEA believes that it would be 2040 before you had deployment at scale. It would be fantastic if we were able to include nuclear fusion, but it would possibly be too optimistic at this stage. At the same time, that is quite a way off.

Q77 **Drew Hendry:** You are quite right not to be overoptimistic, because scientists have been predicting nuclear fusion is only 20 years away since the 1950s.

Andrea Leadsom: Indeed, but I would push back there, having recently visited, and say that they have generated some extraordinary innovations, which make fusion much more realistic within the foreseeable future.

Q78 **Drew Hendry:** We started this conversation on hitting the 2050 target, which we agree is really important. Leaving aside all the planning, building and development costs around fusion and whether or not it will be able to hit within that time, you mentioned a figure of some £200 billion. Given that sum of money, and given that we know that carbon capture, utilisation and storage is a technology that is proven and can be delivered and is available within just a matter of a few years, why are the Government not making more significant steps to invest more heavily in

CCUS?

Andrea Leadsom: We absolutely recognise its value, and certainly we have had a CCUS action plan published. The Committee on Climate Change has recognised that that is a useful way to look at CCUS. We also announced in June nearly £14 million of new innovation funding to each of the most advanced projects in Teesside, Humber, Merseyside and St Fergus. It is also important to note that, to be scalable, it is one of those things that is going to be a bit of time to deployment at scale, which is why we are looking at the mid-2020s.

Q79 **Drew Hendry:** Scottish Carbon Capture & Storage is saying that St Fergus could be up and running within three years and store up to 5.7 gigatonnes of carbon within that time. Surely, that is something that should be progressed as quickly as possible.

Andrea Leadsom: Absolutely. All potential projects are being looked at very carefully to understand fully deployment dates. At the same time, as I say, we will be bringing forward our pathway to net zero, and CCUS will form a core part of that.

Q80 **Drew Hendry:** I am going to come back to CCUS before I finish, Secretary of State. The net zero target is welcome and, as I said, we want to support you in achieving that. However, we have not yet seen any detail on how your Government will deliver the policy actions that, according to the Committee on Climate Change, are required and need to be implemented this year in order to keep the UK on track to meet the 2050 target. Will you commit to delivering those this year?

Andrea Leadsom: Certainly, our Clean Growth Strategy sets out a route to net zero, and the Committee on Climate Change is clear that it is the right framework for delivering net zero, so we are going to continue to deliver through it. That does require that we make some announcements on more precise details to provide the certainty to businesses that will enable them then to make investment decisions, and we are committed to doing that.

Q81 **Drew Hendry:** But you will not be delivering them this year.

Andrea Leadsom: Do you mean in the sense of delivering a strategy?

Q82 **Drew Hendry:** The Committee on Climate Change said they need to be implemented this year to put the UK on track to meet its 2050 target.

Andrea Leadsom: I think they said 2020.

Drew Hendry: By 2020.

Andrea Leadsom: Yes, exactly. That is the case.

Drew Hendry: The end of this year.

Andrea Leadsom: It is the end of next year. During 2020, by the Conference of the Parties that we will be hosting, we will certainly have set out a very clear pathway. We are working at pace, as I say, on evaluating the different policy choices. We have just closed consultations on CCUS and new nuclear, which we want to use to inform part of that. As I have also mentioned, we have already announced about £2 billion of funding for net zero initiatives since we legislated only a few weeks ago for that net zero ambition.

Q83 **Drew Hendry:** If I hear you correctly—and we can pick up the semantics about whether it is the end of this year or next year—you are committing to delivering all of those by the end of 2020. Is that right?

Andrea Leadsom: Certainly, it is absolutely our intention to set out our pathway to net zero during the course of next year. We have our energy White Paper in Q1 next year. There will be choices to take that will not all be set out to 2050 during next year. Perhaps I am misunderstanding the question.

Alex Chisholm: Could I possibly add something? I am not sure whether the Committee has had a chance to see the Government response to the Committee on Climate Change progress report, which we published just today.

Drew Hendry: That is what we have been given just now.

Alex Chisholm: We published that today on emissions reductions, and that covers the energy performance in non-domestic buildings, with very ambitious proposals there, a transport decarbonisation plan and new governance arrangements, so quite a lot of what you are asking for is in that.

Q84 **Drew Hendry:** I will come on to energy performance as an example, since you have brought it up. The Government's target for EPC band C requires about 1.2 million homes to be renovated to that standard each year, so no dubiety there, yet ECO is only renovating around 170,000 homes a year. Also, your Department told us that reaching the target could cost up to £65 billion. Meanwhile, public investment in residential energy efficiency has halved compared to 2012. It may be in that paper, but can you tell us just now how you intend to close both the investment and the delivery gap on that?

Andrea Leadsom: You make an extremely valid point, and heating homes is a huge challenge. In terms of what the Government are doing, some of the initiatives are around reducing heat demand by improving energy efficiency through the buildings mission. We have announced a Future Homes Standard for future new homebuilding. We are supporting business to reduce their energy use by 20% by 2030 and reducing energy demand in industry through the Industrial Heat Recovery Support Programme and through the Industrial Energy Transformation Fund. At the same time, we are developing a new policy framework for the long-term future of heat.

Q85 **Drew Hendry:** I do hear that, but it does not answer my question. As I have just outlined, there is a massive financial gap between what is going on at the moment and what is required. There is also massive underachievement in terms of the number of units being renovated, which needs to be tackled. What I am asking is: how do you get around that gap? Notwithstanding all the other works and things that are going on in the background, it is that which I am interested in getting an answer on just now.

Andrea Leadsom: That will be set out in the energy White Paper. It is quite clear that we have this legally binding target. We are working at pace to look at all of the different aspects; as I very superficially set out, it is a third, a third and a third for power generation, transport decarbonisation and home heating. That third one is very complicated. There are lots of factors involved. I have given you a bit of a sense of some of the initiatives but there is clearly a lot more to do.

Q86 **Drew Hendry:** Let me put it another way: how close will you get to the £65 billion required?

Andrea Leadsom: That will be something for our energy White Paper.

Drew Hendry: It is a huge figure.

Andrea Leadsom: It is a huge figure, absolutely.

Drew Hendry: You must have an idea. This must be something that has been discussed.

Andrea Leadsom: It absolutely is.

Drew Hendry: Can you give us an idea of how close you are going to be to it?

Andrea Leadsom: I cannot at this stage. I am trying to give you an idea. The Future Homes Standard will ensure that, by 2025 and with some start points as early as next year to avoid developers trying to get ahead of that, future homes will be significantly decarbonised. There is work going on to decarbonise businesses and to enable industrial transformation and so on. You are absolutely right that there is a lot more to do and that needs to be set out in our energy White Paper.

Q87 **Drew Hendry:** I do not hear an answer there, but I would desperately like an answer to that as soon as possible, because it is an enormous challenge for you to hit that target. Let me go back to carbon capture, utilisation and storage. It is encouraging to hear that the Energy Minister has not rejected the Committee's proposal that the initial stage should include at least three clusters. That is welcome news for this Committee. When will you give industry a firm update on your near-term targets? Can you confirm whether or not the Government will set specific targets for the volume of carbon that should be stored by 2030 and 2035 in the energy White Paper?

Andrea Leadsom: First of all, I would really like to thank the Committee for their work on CCUS. That was incredibly helpful. You will be aware that the Government were very pleased with most of the recommendations and are factoring those into our consideration. The consultation that has just closed will also inform and it will be set out in the energy White Paper what we expect by way of CCUS utilisation. It is very likely, because it makes practical sense, that there will be industrial clusters. Certainly, we have an industrial clusters mission, which will invest up to £170 million within clusters to accelerate the cost-effective decarbonisation of industry. It will look to deploy such technologies as CCUS.

Q88 **Drew Hendry:** Will the targets be in the White Paper?

Andrea Leadsom: The way in which it will be measured, whether through the industrial clusters or through the targets for the amount of CO_2 that is stored, will be set out in the energy White Paper.

Q89 **Drew Hendry:** The Committee on Climate Change said to us in evidence that it is a choice between nuclear and carbon capture, utilisation and storage. Given that you have said that you are going to spend £200 billion on fusion, is it acceptable to talk in terms of millions on carbon capture, utilisation and storage?

Andrea Leadsom: The fusion investment is £222 million.

Drew Hendry: Sorry, I must have misheard you.

Andrea Leadsom: Sorry, my apologies if I misspoke.

Q90 **Drew Hendry:** I could mention the billions for Hinkley. Certainly, it seems to be a very small amount to invest in carbon capture, utilisation and storage.

Andrea Leadsom: As I have said, there are various routes and we are looking at the choices for the routes to decarbonisation. CCUS will clearly play a part. As I have also said, we can all agree that offshore wind is a UK success story and, therefore, scalable, deployable and so on. CCUS is not yet as advanced and it will be very important that we get to the point where we can properly assess the size of the role that it can play going forward. It is very important that we get to that point. You were asking earlier about when we will set out the specific route; there will always be choices to make, because of the different rates at which different technologies become deployable. We have already touched on fusion, which is potentially not until 2040, so rather a longer-term deployment, but CCUS will play a big part. The extent of its role will depend upon the speed at which we can establish its true value in the mix.

Q91 **Drew Hendry:** Finally, on a matter of consensus and working across party and across Government, I take it you would be happy to welcome Nicola Sturgeon, First Minister, to COP26 in Glasgow.

Andrea Leadsom: Of course. I fully expect to be working closely with colleagues right across all parties.

Q92 **Chair:** Secretary of State, I have been Chair of this Committee for two years now. For most of those two years, the energy White Paper has been imminent. I welcome the fact that you say it will be here in Q1, but we had expected it in the first half of this year. The more time that elapses, the harder it is going to be to achieve the target of net zero by 2050, let alone at an earlier date, which perhaps some of us might like to see. Our Select Committee has produced a number of reports, and you have referenced some of them, Secretary of State, on electric vehicles, on carbon capture and storage and on energy efficiency. I have to say that most of the recommendations in all three of those reports were not accepted by the Government. I would urge you, given what you have said about your three priorities for this Department, to go back and have a look at those before you come forward with the energy White Paper, and see whether we can get on and do, for example, the date at which we phase out the internal combustion engine, the speed at which we get on with carbon capture and storage, and the work that we do to retrofit homes that do not meet Energy Performance Certificate standard C. Unless we take some actions, we are not going to meet those net zero targets.

One final thing before I move on to Mark to say a little bit more about net zero: our Select Committee, working with six other Select Committees, has initiated a series of citizens' assemblies that will be starting early next year to try to gauge the public appetite for the sorts of reforms that we all need to make in our lives, as well as the reforms that Government need to make, to get to net zero. I wonder whether you might want to take this opportunity to welcome those and to look at the recommendations that come from those citizens' assemblies, Secretary of State.

Andrea Leadsom: Thank you. First, can I say thank you for all of the reports that you have provided? I have not referenced all of them but I do have a list of them. I can give you my assurance that I will be looking closely at the recommendations. Secondly, just to slightly try to reassure you, I have only been in post since August but I can absolutely assure you, as I tried to set out, it is my No. 1 priority. I totally accept that you have been looking for this energy White Paper, but what has changed is that we have now legislated for net zero. It is a huge ambition for the Government, and you should feel reassured. I sincerely hope that I will be able to please this Committee by delivering on that in Q1, in such a way that takes into account some of the excellent recommendations that the Committee has made.

I would absolutely like to welcome the citizens' assemblies. Just to add to that, we will be having Green GB Week in the first quarter of next year. It was very unfortunate; it was previously pencilled in for the first week of November and we felt it might get a bit overshadowed, potentially, so we decided to move it to a time where we could really all hit the ground running. I am absolutely committed to getting schools to play a big part in that because we are all very much aware of the interest, in particular, of young people in playing a big part in the net zero ambition. We are absolutely all on the same page in that regard. Thank you.

Q93 **Mark Pawsey:** Secretary of State, I would like to add to the shopping list for the White Paper, if I may. If we are going to achieve net zero, we need to use every source of renewable energy that we can. I wonder, therefore, whether you will be including in the White Paper a commitment to tidal power and a tidal lagoon.

Andrea Leadsom: That is genuinely an open question, which is one of the elements of the work on the preparation for the White Paper. There are a wide range of renewable technologies that do have potential to be in the energy mix. We are extremely open-minded and we will be looking at that balance of affordability, energy security and meeting our net-zero ambitions. It will undoubtedly be one of the technologies that we will consider.

Q94 **Mark Pawsey:** Thank you for that. In order to achieve net zero, Government Departments will need to work together more effectively. What cross-departmental work is currently taking place? I take it that BEIS is the lead Department in this.

Andrea Leadsom: You are absolutely right: this is a cross-departmental mission. While BEIS owns the policy for net zero, nevertheless it is fundamentally impacted by what goes on in Defra. I am delighted that we have the first reading of the Environment Bill today. There will be an environmental regulator that is set up; that will effectively be the regulator for the carbon targets, which is very important.

Defra is very impacted, as of course are DfT and MHCLG, on the housing side, to name but two other Departments. There is a huge cross-Whitehall impact. I am very keen that we have some sort of cross-Whitehall committee, and I am certainly pressing for that.

Q95 **Mark Pawsey:** Is a Cabinet sub-committee now established? Is it on its way?

Andrea Leadsom: I would like to see something of that sort. The discussions are ongoing.

Q96 **Mark Pawsey:** To what extent might our ability to achieve net zero be affected by the way we leave the European Union? It has been suggested that if we were to leave without a withdrawal agreement, that might make life more difficult. For example, it may be difficult for us to continue to source gas supplies. Do you have any concerns that leaving without a withdrawal agreement would present us some challenges?

Andrea Leadsom: I have none. In terms of our security of supply for gas, we consider ourselves to be very secure. Even in the reasonable worst-case scenario of a failure of gas interconnection, that would still only be 5% of our gas supplies. We are very well supplied from elsewhere around the world. I have no concerns in terms of gas supplies.

To your other point about whether leaving the European Union without a withdrawal agreement would affect in some way our ambition for net zero, no, we would continue to work with others. We have very good relations, with members of the EU and outside of the EU, in particular collaborations. Those would continue, and our global leadership is not subject to us being a part of the EU in any way.

Q97 **Vernon Coaker:** Secretary of State, can I ask about Brexit and environmental standards? Can you assure the Committee that the Government will not pursue any environmental standards lower than the minimum standards set by the EU in any future EU trade deal? Can you assure us that there will be no reduction in standards?

Andrea Leadsom: Yes, I can give that assurance. Obviously, one person's reduction in an environmental standard might be someone else's improvement in it, but, as an absolutely policy, the Government intend to have among the highest environmental standards in the world. There is absolutely no intention to reduce our environmental standards in any way at all in leaving the European Union.

Q98 **Vernon Coaker:** In the original withdrawal agreement and backstop negotiated by Theresa May, there was a requirement that the environmental standards were maintained at least at EU level. In the current proposals, that is not there; there is no commitment to that. Why is that?

Andrea Leadsom: The Government are absolutely demonstrating leadership in the Environment Bill, where there will be an environmental regulator. The Government have been very clear that there is no intention whatsoever to reduce environmental standards. In fact, in many areas the UK is in a stronger position than other EU member states.

Q99 **Vernon Coaker:** But you see why people could become concerned about that, because it was there and now it is not there.

Andrea Leadsom: I hear you, yes.

Q100 **Vernon Coaker:** You are saying to the British public that the UK Government will ensure that in any future trade deal there will not be any reduction in environmental standards.

Andrea Leadsom: I can absolutely give the assurance that it is not intended at any time—

Q101 **Vernon Coaker:** That it is "not intended".

Andrea Leadsom: The problem is that there are different regulatory requirements in different trade deals. As I said at the start, one person's improvement may be someone else's reduction. I do not want to give a categorical statement of the sort you are looking for, but what I can tell you is that the Government have absolutely no intention of reducing environmental standards in any shape or form once we leave the European Union.

Q102 **Vernon Coaker:** That is slightly different from the first statement you made.

Andrea Leadsom: No, I stand by the first statement. I am just possibly using slightly different words. Let me have a third attempt. The Government intend to keep our environmental standards high or higher when we leave the European Union.

Q103 **Vernon Coaker:** People can look at that and judge that. What about the impact? Have you done an impact assessment on the UK's post-Brexit trade policy? Is there an impact assessment that has been done on that, with respect to climate change?

Andrea Leadsom: With respect to climate change, that would not be possible to do until we have specific free trade deals. Do you mean the free trade deal with the European Union?

Q104 **Vernon Coaker:** What impact will future trade agreements have on our ability to deliver net zero, if Brexit is achieved?

Andrea Leadsom: As I set out to Mr Pawsey, it is not our expectation that there will be any impact on either our ambition or our net zero targets.

Q105 **Vernon Coaker:** How have you come to that conclusion? Have you come to that conclusion through an assessment—an impact assessment that Parliament has made—or is that just a belief?

Andrea Leadsom: It is the impact assessment the Department has made on leaving the European Union: that it will not have any impact on either our ambition or our policy goals towards net zero.

Q106 **Vernon Coaker:** Have we had that? Have we seen it? Has the Committee seen that assessment?

Andrea Leadsom: I am turning to Alex here.

Alex Chisholm: I do not think there is a document that quite captures that. We have certainly done something in terms of free trade agreements. We have looked at the impact of different ones in different regions of the world in terms of their overall economic effects, but we have not tried to model what effect those would have on climate change, because we think the effect is neutral.

Q107 **Vernon Coaker:** Do you think or do you know?

Alex Chisholm: Free trade agreements do not tend to impose any obligations in relation to net-zero policy.

Sam Beckett: Our net-zero target is embedded in national legislation.

Alex Chisholm: That is not up for debate.

Sam Beckett: We would have to be sure that it did not undercut that.

Q108 **Vernon Coaker:** I accept that there is a desire, but that is an aspiration. What assessment have you made to ensure that the aspiration is actually achieved through the free trade agreement that you seek to implement?

Andrea Leadsom: It is key here to understand that, when you enter into a free trade agreement, you would not enter into something that would break your own law. Governments do not do that. By definition, any free trade agreement that the UK Government entered into would have to abide by UK law, which is that we achieve net zero by 2050.

Alex Chisholm: It is net zero emissions made within the territories of the UK. That is the UN standard.

Sam Beckett: When the Department for International Trade was getting any future trade deal ratified, it would obviously have to present a full assessment of the impacts of that.

Vernon Coaker: But there has not been one done now.

Q109 **Stephen Kerr:** In connection with energy, can I just ask about smart meters very quickly? You have already announced that the 2020 target, which we have known for a long time is not feasible, is now moving to 2024. Is that correct?

Andrea Leadsom: I believe it is 2024, yes.

Q110 **Stephen Kerr:** When will the Department be in a position to make a fuller statement on the rollout of smart meters? There are so many technical issues relating to the smart meters themselves, the network and the DCC. There are so many issues. When will you be in a position to make a full and comprehensive statement to update everybody as to what is happening with the smart meter rollout?

Alex Chisholm: We have just published a cost-benefit assessment. A lot of the detail you are asking for is given within that. At this point in time, 15 million smart and advanced meters have been rolled out, of which 2 million are the second-generation smart meters.

Q111 **Stephen Kerr:** How many of those are connected to the DCC?

Alex Chisholm: All of the second-generation smart meters are.

Q112 **Stephen Kerr:** All 2 million are connected to the DCC.

Alex Chisholm: Of the second-generation smart meters, yes.

Q113 **Stephen Kerr:** What about the rest?

Alex Chisholm: Those are now being remotely enrolled. You have to go back to each one of those—

Q114 **Stephen Kerr:** When you say that they are "now being remotely enrolled", do you mean they are actually now being done?

Alex Chisholm: It is a phased programme. That has to be done.

Q115 **Stephen Kerr:** How many of those have been converted to be able to connect to the DCC?

Alex Chisholm: Ultimately, they all will be. I do not know how many have been done at this point in time.

Q116 **Stephen Kerr:** Are there milestones in this rollout process?

Alex Chisholm: Absolutely, yes. Just going back to the original target, one of the points was that everyone in Great Britain should be offered a smart meter by the end of 2020. As you implied in your question, it has been clear for a number of months, if not longer, that not everyone is going to have taken one. We have tried to set up milestones out to 2024 about how many will actually have one. We are going to be working with Ofgem to make sure we are very clear on what the operators' obligations are to do that, because it is an incredibly important part of the overall national energy infrastructure in order to deliver the smart grid, net zero and everything else.

Q117 **Chair:** We are trying to pin down a Minister to give evidence on this. We have suggested a date; that was not possible. We have now suggested another date. We would like to try to get that sorted as soon as possible, because there are many outstanding concerns.

Andrea Leadsom: Yes, I am aware that there was a problem with dates. I will absolutely make sure that a Minister comes before the Committee. I would just like to say that it is an incredibly important policy area.

Chair: We absolutely agree, but, if it was that important, you might want to be getting on with it a bit quicker rather than pushing back the deadlines.

Q118 **Stephen Kerr:** It is not only very important; it is very expensive as well. It is adding £13 billion on consumers' bills.

Alex Chisholm: It is a net saving of £6 billion. That is our calculation. It is saving every household about £250.

Q119 **Stephen Kerr:** I look forward to reading your cost-benefit analysis, because I am starting from a point of dubiety on that. The Government's response to the Taylor review of modern working practices committed to bringing forward primary legislation. It was in the Queen's Speech, but it has been downgraded to non-legislative measures. Can I ask why that is?

Andrea Leadsom: I would say that it has not been downgraded in any way whatsoever. You kindly gave me the opportunity to set out my Department's priorities, and the third one is that the UK is the best place in the world to work or to grow a business. There is a huge amount in that. We already have a significant number of different areas that we want to look at in terms of employment rights and improving the experience of the workforce, including flexibility, transparency, better enforcement and so on.

We are making very good progress in implementing the recommendations from the Taylor review. As you will be aware, we have already repealed the Swedish derogation to better protect agency workers; we have extended the right to a written statement to workers; and we have extended the holiday pay reference period from 12 to 52 weeks. We have consulted on a number of key employment issues, including measures to boost workplace participation, to tackle one-sided flexibility and to consider the proposals for a single enforcement body. All of these consultations closed just last week, and we will be bringing forward recommendations.

In the 21st century, most people are working at some point in their life and also most people are juggling things at some point in their life. There needs to be more that we can do to recognise that and to enable people to meet their own particular needs in the workplace and to be able to address that.

Q120 **Stephen Kerr:** Secretary of State, when will we get more information on the measures you are proposing to bring forward? You have just closed the consultation. When will we see the measures that you are bringing forward?

Andrea Leadsom: That will be probably in the first quarter of next year. That is when I expect to be able to bring forward proposals. Obviously, we have announced in the Queen's Speech the tipping Bill, which is something that all colleagues have been quite concerned about for a considerable amount of time. That is a real potential unfairness to the workforce and something we are determined to resolve in short order.

Q121 **Stephen Kerr:** You gave us very clear undertakings in respect of environmental standards. Let me offer you the opportunity to give clear undertakings in respect of workers' standards. As we leave the European Union, can you make a clear undertaking that those workers' standards and protections will be maintained?

Andrea Leadsom: Absolutely, yes. We will not reduce workers' rights when we leave the European Union. In our Good Work Plan, we will seek to enhance workers' rights wherever it appears to make sense to do so.

Q122 **Stephen Kerr:** My last question is on the consumer Green Paper, which was published in April 2018. When will we see the White Paper?

Andrea Leadsom: On the consumer Green Paper, it is absolutely vital that we prepare businesses and consumers for Brexit. Using secondary legislation, we have ensured that consumer protection carries on in all circumstances. We want to ensure that consumers benefit from competitive markets and quality products and services.

The immediate priorities are to respond to Professor Furman's review of competition in digital markets, to make sure that those markets work well for consumers, and then, following up on our smart data consultation, which was published earlier this year, to ensure that consumers can simply and securely share their data with third parties to get the best deals. We want to have the right tools to be able to tackle the loyalty penalty, where loyal consumers potentially get overcharged, and we also want to consult on new powers for the CMA to stop businesses from breaking consumer law without them having to then go through the courts to do so. For all of that, it is intended that we will bring forward proposals in Q1 next year.

Q123 **Stephen Kerr:** This is an opportunity, again, for you to make it clear what consumers rights will be in terms of protections as we leave the European Union.

Andrea Leadsom: In leaving the European Union, we are protecting all consumer rights as they were as a member of the EU, but through the measures I have just set out for you, which are some of the considerations we want to go through, we do fully expect and aim to enhance consumer rights and make it fairer to consumers to be able to protect themselves against wrongdoing.

Q124 **Stephen Kerr:** What about, in specific terms, product safety and consumer detriment?

Andrea Leadsom: In those areas, we have used a series of statutory instruments to protect consumers as we leave the European Union. Having left the EU, we will be in a position to improve and enhance in some of those areas.

Q125 **Anna Turley:** Before I move on to my main question, Secretary of State, I wanted to quickly drop back to the net zero issue. Forgive me if I did not hear it, but I did not really hear the word "hydrogen" put forward as one of the solutions. As Chair of the APPG on hydrogen and as someone coming from Teesside, where we produce over 60% of the hydrogen in this country, can I ask you to say a bit about how you see the role of hydrogen, particularly in decarbonising heat and transport, as part of your policy agenda?

Andrea Leadsom: Yes. Thank you for raising it. You are right: the word "hydrogen" has not come up as yet. That is another very good example. Hydrogen will be another very important tool in our decarbonisation ambitions. You will be aware of some of our decarbonisation for industry funds that are set up to enable hydrogen to be part of the energy mix for industrial decarbonisation. There will certainly be more of that in the energy White Paper.

Anna Turley: That is good to hear. Thank you very much.

Alex Chisholm: I would just add one or two points to that. We are very excited about the potential for the hydrogen economy overall. As well as what the Minister mentioned, in terms of hydrogen as a side product of industry when you separate out the CO_2, we are also going to be, and are already, funding some very interesting projects for so-called green hydrogen, where it is produced through electrolysis from offshore wind, and indeed onshore wind in the shape of islands. There is a big project, as you know, up in the Orkney Islands at the moment to do that, which is very interesting. That is a great example to the rest of us.

We also see great potential also in the transport sector. There is always excitement about electric vehicles, but hydrogen is also exciting so long as you have availability of recharging points. We think that will be very useful, particularly for public transport and commercial fleets.

Q126 **Anna Turley:** That is really helpful. Thank you very much. The main question I wanted to ask is really stepping back a bit and looking at the role of the Department as a whole. Obviously, our role is to scrutinise the Department. I must admit that I am struggling a bit with the strategic intention of the Department in terms of its role in supporting British business and intervening in times of difficulty.

I am scarred by 2015 and what I see as the failure of the Department to step in to save the steel industry in my community. It was the second-largest blast furnace in Europe with 3,000 job losses, and so on. That was before your time; that is fine. I had flashbacks this morning, when we had Thomas Cook in front of us. I felt that here, again, was another huge British business with 180-odd years of history—a Victorian company with a huge workforce—and I just did not feel or hear from them that they got anything like the kind of support they should have had from a Department for Business.

Obviously, I understand that the Treasury controls the money; the Treasury is the bean-counter in this. Your quote was that the Treasury did not want to throw good money after bad. I found myself asking, "What is the purpose of having a Department for Business if it is not to step in and support these major British companies in times of need?" Why was the Department for Transport the lead on this and not the Department for Business? Do you feel you could and should have done more when its restructuring plans were not going right and you could see that this was a major company heading for crisis, with thousands of people potentially losing their jobs and hundreds of people stuck around the world, some even with their safety at risk, being locked in hotels?

At what point did you feel, as a Department, "I have to get a grip on this and pick up the phone to the CEO; I have to step in and fight with the Treasury"? What was the role of the Department for Business in all of this?

Andrea Leadsom: First, can I say thank you, Ms Turley, for all of the work you have done in supporting, for example, British Steel? I am also very familiar with the SSI story, and I know that was terrible for your constituents and many others. I am grateful to you for your support for our efforts to find a buyer for British Steel.

I completely hear you. I totally understand that the Thomas Cook failure was terrible for those who have lost their jobs. It was very concerning for passengers, who felt themselves to be stranded overseas. It is absolutely vital that we look very closely at every aspect of it, ranging from the role of directors and auditors to whether Government could have done more and so on.

I would say that my Department's job in terms of businesses is to look to be absolutely clear about where there is support available, by way of innovation, new ideas, export finance and so on, but in a western, free-enterprise economy it is not the job of Government to simply step in and shore up companies that have got into significant difficulty, as Thomas Cook had. The Government will always evaluate what is in the best interests of the taxpayer, but it is not the role of Government to step in just because a company has got into difficulty.

What is the role of Government is, of course, to help where we can—we are working together very effectively on finding a bidder for British Steel—and to provide support in the case of failure to enable those who have lost their jobs to move on and to have help writing CVs. As I say, I wrote to the banks to ask them to provide support and forbearance for people waiting for redundancy and, indeed, to the Financial Reporting Council to look at the role of audit and so on. It is very important that we do all of those things.

We will, of course, look carefully at lessons learned in this particular case, but my Department is there to provide guidance and advice and, where possible, grant support and so on to businesses, but we are not there to prevent failure.

Q127 **Anna Turley:** I hear that. I think of another example that affects my area, the Sirius potash mine that is being built in Whitby and is coming to be exported through my seat. Thousands of jobs are at risk. It is one of the biggest infrastructure projects in Europe at the moment. It is a huge opportunity for the British economy to rebalance our economy in regions like mine. It is a big, innovative market. This is an exciting project, but the Treasury refused to give them the loan guarantee.

I just feel like there is a tension here. We should be advocating supporting and backing British enterprise and British business, looking at the entirety of value for money. I do not just mean what the Treasury would necessarily see but the social benefit, the broader economic benefit and the reputational benefit for this country as a place to come and invest and do business. That is what I would hope to see your Department doing. I just worry that there is an imbalance of power here. The Treasury is not backing British business in the way it should be. This is a plea: are you making those arguments to the Treasury about the wider implications of not supporting projects like this?

Andrea Leadsom: On that, respectfully, I would just disagree. In evaluating Government support for particular businesses, the wider impacts are always taken into account. The Government always recognise that there are wider impacts than simply the bottom line P&L. In every case where there is a plea for grant support, loan support or whatever it might be, the wider impacts will always be taken into account. My Department will certainly always make the case where we consider that there is a case to be made.

Q128 **Anna Turley:** For the steel industry, the clean-up cost was far higher than the cost of intervention. We heard from Thomas Cook that the rescue cost to the taxpayer was probably higher than intervention. That tension has not been resolved. I will leave it there.

Andrea Leadsom: May I just comment? In the case of Thomas Cook, it was quite clear. I appreciate that there was some talk about how it would only have cost £200 million to save it, but that clearly was not the case; that was just the beginning. It was going to be a significant cost to the taxpayer with no realistic prospect of the company having that long-term future. I am afraid that was wrongly reported in the media, but I do absolutely hear you. I can assure you that we do take the issues in the round into account, as you and I well know from working together on the British Steel example.

Chair: Thank you very much for coming to give evidence today, Secretary of State, and thank you to Alex Chisholm and Sam Beckett. We look forward to seeing you again soon, Minister, and hearing from your Department on smart meters in the not too distant future.

Andrea Leadsom: Absolutely, yes. Thank you very much, Chair.